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RUEHCN/AMCONSUL CHENGDU 0972  
RUEHGZ/AMCONSUL GUANGZHOU 8878  
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RUEKJCS/SECDEF WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000175

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STATE PASS USTR  
STATE FOR EAP/TC  
USTR FOR WINTER AND WINELAND  
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF GOVERNORS  
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E.O. 12958: DECL: 01/12/2010

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SUBJECT: CORRECTED COPY - AMCHAM DISAPPOINTED IN CHEN'S  
SPEECH

REF: A. TAIPEI 9

[1](#)B. TAIPEI 53

[1](#)C. TAIPEI 131

Classified By: AIT Director Douglas Paal, Reason 1.4 b/d

This message replaces Taipei 131, which incorrectly identified Procomp Technology in paragraph 6 as one of the two Taiwan firms that have applied for permission to build a semiconductor manufacturing plant in the PRC. ProMOS Technologies and Powerchip are the two firms that have applied for such permission.

[1](#)1. SUMMARY. The Taipei American Chamber of Commerce is surprised and disappointed at the contents of President Chen Shui-bian's New Year's Day speech. At a time when the Chamber was expecting relaxation of restrictions on cross-strait business activities, it sees Chen's comments as promising even more restrictions. AmCham has gone public with its views in press and TV interviews on January 12. END SUMMARY.

[1](#)2. The AmCham Board of Governors met January 10 to discuss its reaction to President Chen Shui-bian's New Year's Day speech. January 12 AmCham President Tom Johnson and Executive Director Richard Vuylsteke told AIT/T that AmCham is surprised and disappointed with the contents of Chen's speech. AmCham shared with us talking points that it has prepared for its members and has already used in press and TV interviews. AIT/T has sent the TPs via email to EAP/TC.

Surprise & Disappointment

[1](#)3. The points say that AmCham was surprised because there was very little in the speech about economic issues, particularly about how Taiwan could implement policies to take advantage of global economic opportunities. AmCham was

disappointed, according to the points, because Chen's remarks seemed to focus on adding government controls to cross-Strait business activities instead of helping business. The points go on to recommend that Taiwan focus on policies to expand Taiwan's place in the world and that help upgrade the workforce.

¶4. (SBU) Johnson added that he personally was completely surprised at the content of Chen's speech. He fully expected Chen to announce measures to expand and facilitate business activities. He said that the Board meeting to discuss the speech started out with a bland statement that the implications of Chen's remarks are unclear. However, he said that one Board member quickly said that everyone in the room knew exactly what Chen meant and that AmCham should respond accordingly.

¶5. Johnson's company, San Fu/Air Products, is a major supplier of industrial gasses to Taiwan's electronics industries and has been waiting for many months for Taiwan approval of a San Fu customer to establish a semiconductor plant in China. Johnson said that it seems highly unlikely at this point that their customer will receive permission to follow in the steps of Taiwan Semiconductor Manufacturing Corporations (TSMC) and establish IC manufacturing facilities in China.

#### Technology Restraints too Tight

¶6. (SBU) Johnson confirmed AIT/T's understanding that Taiwan firms with pending applications for IC facilities would not be interested in setting up plants at the technological level specified in the original applications. (Note: ProMOS

TAIPEI 00000175 002 OF 002

Technologies and Powerchip have both applied for permission to establish facilities in China to manufacture ICs at the 0.25 micron level but have not yet received Taiwan approval. End note.) Johnson said that this technology is now so old that there would be no point for his customers to invest in such plants. In an earlier, separate conversation, Powerchip Chairman Frank Huang told AIT/T that even if the Taiwan authorities approve his existing application at the 0.25 micron level, he would wait for approval to use more advanced technology before setting up a plant in China.

¶7. (SBU) Vuylsteke expressed a degree of frustration with the Chen Administration's policies, noting that the Taiwan side appears to be taking trade with the U.S. for granted. He said that AmCham is considering enhancing its efforts to engage the Taiwan authorities on outstanding trade issues, citing personnel issues in particular. However, he and Johnson noted that widespread expectations for a major cabinet reshuffle made it difficult to plan an effective campaign. Vuylsteke also said he was disappointed that President Chen is once again expected to appoint a new Prime Minister, when the incumbent, Frank Hsieh, has been in office less than one year, and Chen might change the principal economic officials as well.

#### AmCham Goes Public with its Complaints

¶8. (U) Johnson and Vuylsteke held press conferences today, January 12 to express AmCham's views. Vuylsteke appeared on a short 3-4 minute TV interview and the two of them did an in-depth interview with Taiwan's Commercial Times newspaper.

#### COMMENT

¶9. (C) AmCham is clearly frustrated at the state of play in cross-Strait economic relations. It sees Chen's speech as a decided negative turn of events and is concerned that Taiwan agencies will go even slower on liberalizing cross-Strait policies and make business activities harder. Taiwan officials have told AIT/T (reftels) that there is little

actual change in Taiwan's policies. However, the indictment of UMC's Robert Tsao has certainly sent a chilling signal to the Taiwan business community and it is not yet clear what specific steps Taiwan officials may take to try and limit or slow down the substantial existing cross-Strait economic relationship. The next key points which may indicate how things will play out for U.S. business interests will be the elections for the ruling DPP party, slated for this coming Sunday, and the expected cabinet reshuffle, which could follow last year's model and come shortly before the Lunar New Year holiday break that starts on January 28. End Comment.

PAAL